

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

SWF-01 AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-01

INR-05 NSAE-00 RSC-01 CIEP-01 SP-02 STR-01 TRSE-00

LAB-01 SIL-01 SAM-01 OMB-01 SS-15 NSC-05 XMB-02 TAR-01

AGR-05 /070 W

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TO SECSTATE WASHDC IMMEDIATE 7908

LIMITED OFFICIAL USE SECTION 01 OF 02 EC BRUSSELS 9381

PASS TREASURY FOR PELIKAN, EXIMBANK FOR GIANTURCO

E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: PROPOSED DRAFT GENTLEMEN'S AGREEMENT ON EXPORT CREDITS

REF: EC BRUSSELS 9367

1. SUMMARY: MRS. ARCHIBALD OF THE EC COMMISSION MADE AVAILABLE TO US TODAY THE EC'S PROPOSED DRAFT GENTLEMEN'S AGREEMENT ON EXPORT CREDITS. THE EC PLANS TO SUBMIT THIS DRAFT AS A WORKING DOCUMENT TO THE EXPERT GROUP MEETING ON DECEMBER 5-6. ATTACHED TO THE AGREEMENT ARE LISTS WHICH CATEGORIZE COUNTRIES ACCORDING TO PER CAPITA GNP AND A NOTE EXPLAINING THESE CATEGORIES. MR. JOHN E. RAY, TREASURY/OS, WILL HAND CARRY THESE ANNEXES FOR DELIVERY TO STATE, TREASURY AND EXIMBANK ON THE MORNING OF DECEMBER 2. END SUMMARY.

QUOTE:

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WORKING DOCUMENT

IN ORDER TO BRING EXPORT CREDIT INTEREST RATES INTO LINE WITH GENERAL TRENDS IN RATES AND TO PREVENT A WORSENING OF THE TERMS OF CREDIT GRANTED BY THE MAIN EXPORTING COUNTRIES, BELGIUM, DENMARK, THE FEDERAL REPUBLIC OF GERMANY, FRANCE, IRELAND, ITALY, JAPAN, LUXEMBOURG, THE NETHERLANDS, THE UNITED KINGDOM AND THE UNITED STATES HAVE, AS REGARDS COMMERCIAL EXPORT CREDIT, REACHED THE FOLLOWING AGREEMENT:

I. MINIMUM INTEREST RATE

1. THE PARTIES HEREBY UNDERTAKE TO ENSURE THAT PUBLIC MEASURES AFFECTING THE RATE OF INTEREST FOR EACH COMMERCIAL EXPORT CREDIT OF OVER 2 YEARS ARE CALCULATED IN SUCH A WAY THAT THE RATE IS AT LEAST X PERCENT PER ANNUM.

2. HOWEVER, IN THE CASE OF THE CREDITS REFERRED TO UNDER 1. FOR COUNTRIES INCLUDED IN THE LIST IN ANNEX I, WHICH WAS DRAWN UP, BY COMMON AGREEMENT, ON THE BASIS OF AN ESTIMATE OF THE PER CAPITA GNP FOR 1975, THE PARTIES UNDERTAKE TO ENSURE THAT ANY PUBLIC MEASURES AFFECTING THE RATES WILL RESULT IN A RATE CORRESPONDING WITH THE MARKET RATE, ON THE UNDERSTANDING THAT STABILIZATION OF THAT RATE AT A MINIMUM OF Y PERCENT WOULD BE CONSIDERED TO CONFORM WITH THIS PROVISION.

3. FOR THE PURPOSES OF APPLYING THE ABOVE:

(A) "PUBLIC MEASURES" MEANS:

-- FINANCIAL ASSISTANCE GRANTED EITHER BY A GOVERNMENT, BY PUBLIC INSTITUTIONS OR BY CENTRAL BANKS;  
-- PUBLIC REGULATIONS GOVERNING THE RATES OF RETURN OF BANKS.

(B) "INTEREST RATE" MEANS:

-- EITHER THE FINANCING RATE OF FINANCIAL CREDITS OR THE REFINANCING RATE OF SUPPLIER CREDITS; OR  
-- THE MIXED RATE WHERE ONLY CERTAIN PORTIONS OF THE CREDIT ARE FINANCED BY AN OFFICIAL EXPORT FINANCE BODY, THE REMAINING PART OF THE CREDIT BEING FINANCED, UNDER A SEPARATE CONTRACT, BY PRIVATE BANK CREDITS.

THE ABOVE MENTIONED FINANCING AND REFINANCING RATES LIMITED OFFICIAL USE

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AND THE MIXED RATES

-- DO NOT MEAN THE CONTRACT RATE TO BE PAID BY THE BENEFICIARY OF THE CREDIT,

-- EXCLUDE ALL:

X EQUAL BANK COMMISSION (SIC) OTHER THAN THE ALREADY TAKEN INTO ACCOUNT FOR CALCULATING PUBLIC MEASURES,

EQUAL EXPORT CREDIT INSURANCE CHARGES.

II. AVERAGE REAL COST

1. IN THE CASE OF THE CREDITS REFERRED TO UNDER  
I.1 AND WITHOUT PREJUDICE TO THE PROVISIONS UNDER THAT  
HEADING, THE PARTIES HEREBY ALSO UNDERTAKE TO ENSURE  
THAT THE ANNUAL AVERAGE REAL COST OF ALL COMMERCIAL  
EXPORT CREDITS OF OVER 2 YEARS BENEFITING FROM PUBLIC  
MEASURES IN RESPECT OF THE INTEREST RATE IS AT LEAST  
BRACKETS X PLUS 0.50 PERCENT END BRACKETS .

2. FOR THE PURPOSES OF APPLYING THE ABOVE,  
"AVERAGE REAL COST" MEANS THE TOTAL OF THE RATE OF  
INTEREST AS DEFINED IN I.3 (B), AND ALL BANK AND  
CREDIT INSURANCE CHARGES.

III. MAXIMUM LENGTHS OF CREDIT

1. THE PARTIES HEREBY UNDERTAKE TO ENSURE  
THAT COMMERCIAL EXPORT CREDITS BACKED BY OFFICIAL  
FINANCING FACILITIES AND/OR CREDIT INSURANCE ON BEHALF  
OF OR WITH THE SUPPORT OF THE STATE, DO NOT -- WITHOUT  
AFFECTING OBSERVANCE OF THE MUCH SHORTER PERIODS WHICH  
ARE CUSTOMARY FOR THE SUPPLY OF CONSUMER GOODS AND  
LIGHT CAPITAL GOODS -- EXCEED A MAXIMUM LENGTH OF  
8 ONE HALF YEARS.

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PASS TREASURY FOR PELIKAN, EXIMBANK FOR GIANTURCO

2. HOWEVER, THE MAXIMUM LENGTH REFERRED TO UNDER 1:

(A) IS INCREASED TO 10 YEARS FOR CREDITS TO COUNTRIES INCLUDED IN THE LIST IN ANNEX II, WHICH WAS DRAWN UP BY COMMON AGREEMENT, ON THE BASIS OF AN ESTIMATE OF THE PER CAPITA GNP FOR 1975;

(B) IS REDUCED TO 5 YEARS IN THE CASE OF CREDITS TO COUNTRIES ALREADY REFERRED TO UNDER 1.2 AND INCLUDED IN THE LIST IN ANNEX I.

3. THE LENGTHS OF THE CREDITS SHALL BE CALCULATED ON THE BASIS OF THE STARTING POINTS DEFINED BY THE BERNE UNION.

IV. MINIMUM PERCENTAGE OF DOWN-PAYMENTS

THE PARTIES UNDERTAKE TO ENSURE THAT IN THE CASE OF COMMERCIAL EXPORT CREDITS BACKED BY OFFICIAL FINANCING FACILITIES AND/OR CREDIT INSURANCE ON BEHALF OF OR WITH THE SUPPORT OF THE STATE, THE DOWN-PAYMENTS TO BE RECEIVED, BY THE DATE OF THE STARTING POINT OF THE CREDIT AS DETERMINED BY THE BERNE UNION AT THE LATEST, LIMITED OFFICIAL USE

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AMOUNT TO AT LEAST 15 PERCENT. HOWEVER, THIS PERCENTAGE IS INCREASED TO 20 PERCENT FOR TRANSACTIONS WITH COUNTRIES SHOWN ON THE LIST AT ANNEX I.

V. SCOPE

1. SECTORAL AGREEMENTS

A. THE CREDIT CONDITIONS APPLYING TO THE EQUIPMENT COVERED BY CURRENT OECD SECTORAL AGREEMENTS SHALL BE GOVERNED BY THE PROVISIONS IN THESE AGREEMENTS.

HOWEVER, WHERE ONE OF THE CONDITIONS FOR CREDIT SET OUT IN THIS ARRANGEMENT IS NOT COVERED BY A SECTORAL AGREEMENT, THE PROVISIONS OF THIS ARRANGEMENT SHALL APPLY;

--ANY PARTY TO THIS ARRANGEMENT WHO IS NOT SIGNATORY TO A SECTORAL AGREEMENT SHALL UNDERTAKE TO APPLY THE PROVISIONS OF THIS ARRANGEMENT TO THE EQUIPMENT IN QUESTION.

B. BEARING IN MIND CURRENT OECD NEGOTIATIONS FOR THE CONCLUSION OF SECTORAL AGREEMENTS FOR NUCLEAR POWER STATIONS AS WELL AS FOR AIRCRAFT AND HELICOPTERS, THE PROVISIONS OF THIS ARRANGEMENT SHALL NOT APPLY TO THOSE EQUIPMENTS.

2. EXISTING UNDERTAKINGS AND BILATERAL AGREEMENTS THE PROVISIONS OF THIS ARRANGEMENT SHALL NOT PREJUDICE EXISTING UNDERTAKING AND AGREEMENTS BEFORE THEIR DATE OF EXPIRY.

3. AID

THE PROVISIONS OF THIS ARRANGEMENT SHALL NOT APPLY TO GUARANTEED CREDITS FORMING PART OF A NATIONAL SYSTEM OF DEVELOPMENT AID. THE PARTIES HEREBY UNDERTAKE TO EXAMINE, WITHIN THE APPROPRIATE FORUMS, THE QUESTIONS OF A DEMARCATION BETWEEN COMMERCIAL CREDITS AND AID CREDITS.

4. LEASING

THE PROVISIONS OF THIS ARRANGEMENT SHALL APPLY TO EXPORT LEASING CONTRACTS.

5. MATCHING

A. BY WAY OF DEROGATION FROM THE PROVISIONS UNDER I.1. AND 2. EACH PARTY MAY, AFTER PRIOR NOTIFICATION OF THE OTHER PARTIES, GRANT AN INTEREST RATE LOWER THAN THE RATES REFERRED TO UNDER THESE LIMITED OFFICIAL USE

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SAME HEADINGS:

-- EITHER IN THE CASE OF DIRECT COMPETITION BENEFITING FROM PUBLIC MEASURES NOT IN ACCORDANCE WITH THE RULES OF THIS ARRANGEMENT;

--OR, TRANSITIONALLY, BY MEANS OF LINES OF CREDIT UNTIL THE DATE OF EXPIRY OF AN AGREEMENT STILL IN FORCE BETWEEN ANOTHER PARTY AND A THIRD COUNTRY, WITH THE POSSIBILITY OF ALIGNMENT ON THE RATE GIVEN IN THAT AGREEMENT.

B. BY WAY OF DEROGATION FROM THE PROVISIONS UNDER III.1. AND 2. EACH PARTY MAY, AFTER PRIOR NOTIFICATION OF THE OTHER PARTIES, GRANT A LENGTH OF CREDIT LONGER THAN THE MAXIMUM PERIOD LAID DOWN BY THIS ARRANGEMENT WHERE DIRECT COMPETITION HAS BEEN PROVED.

VI. IMPLEMENTATION OF THE ARRANGEMENT

1. THIS ARRANGEMENT SHALL TAKE EFFECT 3 MONTHS AFTER THE DATE ON WHICH IT IS ESTABLISHED THAT THE PARTIES REFERRED TO IN THE PREAMBLE AGREE TO ITS PROVISIONS.

2. ALL PARTIES TO THE ARRANGEMENT UNDERTAKE TO PROVIDE ONE ANOTHER, IF SO REQUESTED, WITH ANY INFORMATION NECESSARY TO ENSURE ITS EFFICIENT OPERATION. ALL THE NECESSARY INFORMATION CONCERNING THE BILATERAL AGREEMENTS MENTIONED IN V.2. SHALL BE NOTIFIED NOT LATER THAN 15 DAYS PRIOR TO THE ENTRY INTO FORCE OF THE ARRANGEMENT.

3. ALL PARTIES TO THE ARRANGEMENT SHALL AT ALL TIMES BE ENTITLED TO REQUEST ADJUSTMENTS TO THESE PROVISIONS IN ORDER TO DEAL WITH DEVELOPMENTS IN THE INTERNATIONAL ECONOMIC SITUATION OR IN INTERNATIONAL COMPETITION. SUCH ADJUSTMENTS SHALL BE ADOPTED BY COMMON AGREEMENT BETWEEN THE PARTIES.

4. EACH PARTY TO THE ARRANGEMENT SHALL AT ALL

TIMES BE ENTITLED TO WITHDRAW FROM IT BY MEANS OF  
PRIOR NOTIFICATION, WHICH SHOULD BE ADDRESSED TO  
THE OTHER PARTIES, IF POSSIBLE 45 DAYS IN ADVANCE.

VII. ACCESSION

PARTICIPATION IN THIS ARRANGEMENT SHALL BE  
OPEN TO ALL COUNTRIES FOOTNOTE

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FOOTNOTE: AT THE "CCG" MEETING ON 20 AND 21 NOVEMBER 1974,  
SOME DELEGATIONS HAD RAISED THE QUESTION OF WHETHER, IN  
ORDER TO DEMONSTRATE EVEN MORE CLEARLY ACCESS FOR  
OTHER COUNTRIES TO PARTICIPATION IN THE ARRANGEMENT, A  
PROVISION ON THESE LINES MIGHT NOT BE INSERTED DIRECTLY  
IN THE PREAMBLE. WHILE THIS SOLUTION WAS NOT  
ADOPTED IT WAS NEVERTHELESS SUGGESTED THAT THE PRO-  
VISION ON PARTICIPATION BE REMOVED FROM THE FORMER  
HEADING V " IMPLEMENTATION OF THE ARRANGEMENT" AND  
PLACED UNDER A NEW AND DISTINCT MAJOR HEADING OF  
" ACCESSION". END QUOTE. MYERSON

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Draft Date:** 29 NOV 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
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**TAGS:** EFIN, EEC, XMB  
**To:** STATE  
**Type:** TE  
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